

TOP SECRET

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FAR EAST

1. Ambassador Briggs warns of "dangerous" Korean situation:

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[redacted] The present situation in South Korea is "disquieting" and "dangerous," Ambassador Briggs warned on 5 September. He said that President Rhee's disturbed emotional state could readily lead to irrational conduct.

Briggs believes that Rhee's increased intransigence, which has led to reckless public attacks on the American troop redeployments and economic and military aid programs, and on Japan, stems from Rhee's failure to persuade the American government to renew the Korean fighting.

Briggs stated that since Rhee still believes Korea can be united in his lifetime only by force, he is willing to create an incident with a view toward provoking war.

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SOUTHEAST ASIA

2. Thai believe Pridi now in South China:

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[redacted] The Thai press is headlining Taipei reports that former premier Pridi Phanomyong has established headquarters in Yunnan as a preliminary step to launching guerrilla operations in Thailand, according to the American embassy in Bangkok. The chief of the Thai Criminal Investigation Department has informed the embassy that he believes Pridi is in Kunming, the capital of Yunnan.

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Meanwhile, Thai Communists have issued a lengthy manifesto welcoming Pridi's "new political philosophy" and calling for an all-out struggle against American "imperialists and their puppets." The manifesto also advocated a 10-point program including establishment of a government upholding "peace, freedom and democracy" and opposition to Thailand's participation in SEAP.

Comment: The manifesto issued by the outlawed Thai Communists represents the first important propaganda gesture they have made since being put under heavy police surveillance by the Phibun regime in late 1952.

Reports from Taipei on Pridi's whereabouts are not reliable, but many Thai officials believed over a year ago that he was connected with the Thai autonomous area established by Peiping in southern Yunnan.

EASTERN EUROPE

3. Yugoslav wheat shortage reported spurring trade talks with USSR:

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[redacted] Yugoslav Foreign Ministry counsellor Kopcok informed the American embassy on 6 September that Belgrade has agreed to Soviet requests for trade talks only because of Yugoslavia's critical shortage of wheat. He said that the Soviet Union first suggested talks at Geneva last spring, and had brought up the subject several times since then.

Kopcok said he hoped the trade talks would initially be concerned with small quantities. He added, however, that the trade potential between Yugoslavia and the USSR, if Moscow would supply wheat, was "regrettably large." Yugoslavia also hopes to obtain industrial products in exchange for meats, other agricultural products, shoes, textiles, pyrite ores, bauxite, and hardwoods.

Comment: Yugoslav officials have repeatedly stated that trade with the Orbit must be reopened if relations are to be put on the same "normal" basis as Moscow's relations with other non-Orbit nations. These officials have expressed

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the belief that such trade would not reach a large volume. In this case, Kopcok's alleged fear of a large potential trade, as well as the timing of the acceptance of trade talks with the USSR, may be an effort to make Washington more receptive to a recent Yugoslav request for 700,000 tons of wheat annually for a three-year period under the American surplus commodity act. The American embassy estimates that because of current crop failures Yugoslavia is in urgent need of 400,000 to 500,000 tons of wheat.

It is unlikely that the USSR would be prepared to supply these needs in view of its own expanded domestic requirements under the new course program and the poor prospects for this year's harvest.

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WESTERN EUROPE

4. Campaign for East-West talks improves French Communists' prospects:

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The American embassy in Paris anticipates that the French Communist Party, through its campaign for new four-power talks and against German rearmament, will increase its chances of regaining "decisive influence in French political life." Despite the recent drop in party strength, the Communists are able to concentrate on an issue bound to gain the support of many Socialists, neutralists, and nationalists.

The party's central committee indicated in a 2 September statement that it expects even greater Socialist support than it received in the fight against EDC.

Comment: The Communist Party will most certainly try to exploit Socialist opposition to German rearmament without strict controls. The Socialists split over the EDC issue, but are apparently still united against participation in a government including the Communists.

Should the Communists' present tactics designed to prevent German rearmament fail, they will probably adopt a policy of strikes and riots.

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